### PARK CITY AREA CHAMBER OF COMMERCE - CONVENTION AND VISITORS BUREAU, INC.

Financial Statements for the Years Ended June 30, 2005 and 2004, and Independent Auditors' Reports



#### **INDEPENDENT AUDITORS' REPORT**

To The Board of Directors

Park City Area Chamber of Commerce —
Convention and Visitors Bureau, Inc.

We have audited the accompanying statements of financial position of Park City Area Chamber of Commerce – Convention and Visitors Bureau, Inc. (a non-profit corporation) as of June 30, 2005 and 2004, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park City Area Chamber of Commerce — Convention and Visitors Bureau, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NIEDERHAUSER & DAVIS, LLC

July 28, 2005 Park City, Utah

#### PARK CITY AREA CHAMBER OF COMMERCE -CONVENTION AND VISITORS BUREAU, INC. STATEMENTS OF FINANCIAL POSITION JUNE 30, 2005 AND 2004

#### **ASSETS**

		2005		2004
CURRENT ASSETS		<del></del>		
Cash and cash equivalents	\$	989,393	\$	909,800
Accounts receivable		19,504		27,856
Prepaid expenses		51,390		41,541
Total current assets		1,060,287		979,197
PROPERTY AND EQUIPMENT				
Leasehold improvements		275,017		275,017
Furniture and equipment		88,033		116,881
Subtotal		363,050	'	391,898
Less: accumulated depreciation and amortization		(333,238)	_	(324,874)
Total property and equipment		29,812		67,024
OTHER ASSET				
Deposit	_	5,473		5,473
Total assets	\$	1,095,572	\$	1,051,694

#### PARK CITY AREA CHAMBER OF COMMERCE -CONVENTION AND VISITORS BUREAU, INC. STATEMENTS OF FINANCIAL POSITION JUNE 30, 2005 AND 2004

#### LIABILITIES AND NET ASSETS

	2005	2004
CURRENT LIABILITIES		
Accounts payable	\$ 2,943	\$ -
Accrued expenses	36,558	41,326
Refundable interest	684	563
Current portion of capital lease obligation	5,832	<b>4,</b> 779
Deferred revenue	 486,546	 553,618
Total current liabilities	 532,563	 600,286
CAPITAL LEASE OBLIGATION	 10,287	11,062
Total liabilities	542,850	611,348
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	 552,722	 440,346
Total liabilities and net assets	\$ 1,095,572	\$ 1,051,694

# PARK CITY AREA CHAMBER OF COMMERCE CONVENTION AND VISITORS BUREAU, INC. STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

		2005		2004
UNRESTRICTED NET ASSETS				
Support				
Transient room tax	\$	3,137,604	\$	2,795,485
Restaurant tax grants		296,839		275,635
Membership dues		280,046		249,151
Other government funding		90,000		90,000
Special funding		100,000		100,000
Interest income		23,439		15,212
Co-operative promotion		197,681		299,491
Contributions		6,492		3,509
Other		2,014		2,488
Total support	_	4,134,115	_	3,830,971
Expenses				
Marketing programs and projects				
Annual marketing campaign		1,269,411		1,195,127
International marketing		130,802		110,453
Tour and travel promotion		59,765		<b>56,</b> 073
Internet marketing		124,176		114,664
Communications		198,793		450,388
Special events marketing		418,596		315,475
Chamber member services		52,036		27,887
Guest services		-		2,596
Government relations and economic development		42,932		51,125
Meetings and conventions		183,527		198,801
Visitor information centers		139, <b>5</b> 67		117,362
Film commission		4,218		6,745
Co-operative promotion		349,781		442,026
Other general programs	_	20,315		35,849
Total marketing programs and projects		2,993,919	_	3,124,571

# PARK CITY AREA CHAMBER OF COMMERCE CONVENTION AND VISITORS BUREAU, INC. STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Supporting services and other expenses		
Administrative expenses	757,754	768,999
Office operating expenses	217,204	206,955
Depreciation and amortization	50,027	<b>49,</b> 279
Loss on retirement of assets	2,835	-
Total supporting services and other expenses	1,027,820	1,025,233
Total expenses	4,021,739	4,149,804
CHANGE IN UNRESTRICTED NET ASSETS	112,376	(318,833)
NET ASSETS, beginning of year	440,346	759,179
NET ASSETS, end of year	\$ 552,722	\$ 440,346

# PARK CITY AREA CHAMBER OF COMMERCE CONVENTION AND VISITORS BUREAU, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

		2005		2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$	112,376	\$	(318,833)
Adjustments to reconcile change in net assets to net				
cash provided by (used in) operating activities:				
Depreciation and amortization		50,027		49,279
Loss on retirement of assets		2,835		-
Decrease in accounts receivable		8,352		22,285
Increase in prepaid expenses		(9,849)		(16,377)
Increase in accounts payable		2,943		-
Increase (decrease) in accrued expenses		(4,768)		1,255
Increase in refundable interest		121		48
Decrease in deferred revenue		(67,072)		(36,158)
Net cash provided by (used in) operating activities		94,965		(298,501)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(15,650)		(14,420)
Net cash used in investing activities		(15,650)		(14,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital lease financing		<b>6,08</b> 0		-
Payments of capital lease obligation	_	(5,802)	_	(5,444)
Net cash provided by (used in) financing activities		278		(5,444)
NET INCREASE (DECREASE) IN CASH		79,593		(318,365)
CASH AND CASH EQUIVALENTS, beginning of period		909,800		1,228,165
CASH AND CASH EQUIVALENTS, end of period	\$	989,393	<u>\$</u>	909,800
Supplemental disclosure: Interest paid	\$	1,346	\$	1,364

#### 1. Organization

On December 1, 1981, the Park City Chamber of Commerce and the Park City Convention and Visitors Bureau combined to form one non-profit corporation to serve the businesses of Park City and Summit County and to promote tourism and business. Descriptions of the Chamber/Bureau programs are as follows:

Annual Marketing Campaign - This program promotes Park City/Summit County in the United States as a tourist destination.

International Marketing - This program promotes Park City/Summit County outside the United States as a tourist destination.

Tour and Travel Promotion - This program promotes Park City/Summit County to the meeting/convention and leisure group markets.

Internet Marketing – This program promotes Park City/Summit County through the Chamber/Bureau's website.

Communications - This program provides a liaison with the media, promoting Park City/Summit County in print and other media.

Special Events Marketing - This program provides and supports cultural and sporting events to enhance the tourism product in Park City/Summit County.

Chamber Member Services - This program provides support and assistance to the local business and individual members of the Chamber/Bureau.

Guest Services – This program supports Park City/Summit County employees with recognition, training and research information.

Government Relations and Economic Development - This program tracks legislation and lobbies on issues of interest to local business and tourism, and provides economic data.

Meetings and Conventions - This program promotes Park City/Summit County as a destination for meetings and conventions.

Visitor Information Centers - This program provides visitors to Park City/Summit County with useful, current information for their stay.

Film Commission – This program promotes Park City/Summit County as a film location.

Co-operative Promotion – This program promotes and administers events in cooperation with other event sponsors.

Other General Programs – These programs provide public relations and enhance the image of the Chamber/Bureau.

#### 2. Summary of Significant Accounting Policies

Basis of Accounting. The accompanying financial statements have been prepared using the accrual basis of accounting.

Cash and Cash Equivalents. Cash in excess of daily requirements is invested in money market funds and treasury bills. The Chamber/Bureau considers all highly liquid investments to be cash equivalents.

Member Receivable. Balances that are still outstanding after management has used reasonable collection efforts and are approximately 120 days past due are written-off using the direct write-off method. Since the Chamber/Bureau follows a strict receivable policy, an allowance for doubtful accounts has not been included in the financial statements.

Property and Equipment. Property and equipment consist of furniture, equipment and leasehold improvements. Assets having a cost greater than \$500 and estimated useful lives over one year are capitalized at cost and depreciation is computed using the straight-line method over the estimated useful lives ranging from three to ten years. Amortization of leasehold improvements is computed using the straight-line method over the term of the lease. Depreciation and amortization expense at June 30, 2005 and 2004 was \$50,027 and \$49,279, respectively.

Revenue Recognition and Deferred Revenue. Revenue from exchange transactions is recognized when earned. Other support is included in revenue when received or billed. Revenue not yet earned is recorded as deferred revenue.

Transitory room tax (TRT) derived from lodging rentals within Summit County is collected by the State of Utah, and in accordance with the authorizing legislation, is returned to the county government for use in promotion of tourism. Summit County remits 90% of the TRT it receives from the State of Utah to the Chamber/Bureau. The Chamber/Bureau's programs fulfill the obligations of Summit County to promote tourism with the TRT monies. TRT is received quarterly and is recognized as revenue based on the quarter in which the lodging rental occurred, with a two quarter delay from lodging rental to receipt of funds and revenue recognition. TRT received in advance of the two quarter delay is considered unearned and recorded as deferred revenue.

A portion of the restaurant tax levied by Summit County is designated for promotion and support of tourism. The County provides grants to various organizations to carry out the designated purpose. Grants received by the Chamber/Bureau are for specific activities, and are considered earned when expenditures for those activities are made.

Co-operative promotion revenue is recognized as earned when the related expenses are incurred.

Membership dues billed for the next fiscal year are recorded as deferred revenue.

Income Taxes. The Chamber/Bureau is a nonprofit organization and is exempt from Federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial Statement Presentation. Certain 2004 amounts have been reclassified to conform to the 2005 presentation.

#### 3. Cash

At times during the fiscal years ended June 30, 2005 and 2004, the Chamber/Bureau maintained cash balances in excess of federally insured limits for deposits. It is the opinion of management that the solvency of the financial institutions is not of particular concern.

#### 4. Deferred Revenue

Deferred revenue at June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Transient room tax	\$ 445,400	\$ 524,288
Membership dues	15,955	14,838
Restaurant tax grants	25,161	8,000
Other	30	6,492
Total	<u>\$ 486,546</u>	<u>\$ 553,618</u>

The Chamber/Bureau has received restaurant tax grants from Summit County designated for use in support of special events, promotion of Summit County as a vacation destination, and other activities. Funds not yet expended for the designated purpose are included in deferred revenue. Interest earned on the unexpended funds is to be refunded to the County.

#### 5. Lease Commitments

The Chamber/Bureau occupies office facilities and the Visitors Information Center under terms of operating lease agreements expiring in October 2005 and March 2005, respectively. Such lease agreements provide for annual rent increases based on both inflation and landlord costs. Rent expense for the years ended June 30, 2005 and 2004 was \$112,280 and \$108,108, respectively.

The Visitors Information Center lease expired in March 2005 and the Chamber/Bureau is currently operating on a month-to month basis with no increase in lease payments. Management is currently in negotiations for a 3-year lease at a different location with monthly lease payments to be the same amount as the previous lease. It is anticipated that the lease will begin as of August 1, 2005.

During the years ended June 30, 2005 and 2003, the Chamber/Bureau entered into capital lease transactions for the acquisition of office equipment. The cost of such equipment, which is included in furniture and equipment, was \$6,080 and \$22,405, respectively. Amortization of the asset cost is included in depreciation. The imputed interest rates are 7% and interest paid for the years ended June 30, 2005 and 2004 was \$1,346 and \$1,364, respectively.

At June 30, 2004, future minimum lease payments under these leases are as follows:

Fiscal Year Ending	<u>Capital</u>
2006	5,832
2007	6,254
2008	2,640
2009	1,393
Total	<u>\$ 16,119</u>

#### 7. Employee Benefit Plans

The Chamber/Bureau maintains a qualified 401(k) profit sharing plan under which eligible employees may defer a portion of their salary. At the discretion of the Board of Directors, the Chamber/Bureau may make a contribution of a discretionary amount to be determined each year. Effective January 1, 2002, new employees are vested over five years. Employees hired before January 1, 2002 continue to be fully vested. To be eligible to participate, an employee must have completed one year of service and attained the age of 18 years. Contributions to the plan for the years ended June 30, 2005 and 2004 were \$15,718 and \$11,935, respectively.

#### 8. Concentration Risk

A significant portion of the Chamber/Bureau revenue is from the transient room tax. The Utah State Legislature mandates the return of this money to the respective county where it was derived, for use to promote tourism. Summit County uses the Chamber/Bureau to implement the mandated use of the tax monies. The portion of the transient room tax allocated to the Chamber/Bureau, or the method or organization used by the County to fulfill its mandated obligation, could be changed by a decision of the County Commission.

#### 9. Sponsorship Obligations

The Chamber/Bureau has entered into certain multi-year sponsorship agreements for special events to be held in the Park City area. The remaining sponsorship obligations range from one to three years with the terms of the agreements negotiable for each year.